

Senate File 2228 - Introduced

SENATE FILE 2228

BY COMMITTEE ON TRANSPORTATION

(SUCCESSOR TO SSB 3078)

A BILL FOR

1 An Act relating to the activities of motor vehicle dealers,
2 including the electronic submission of applications for
3 motor vehicle registration and issuance of certificates of
4 title, the furnishing of surety bonds, and the assessment of
5 documentary fees, and making a penalty applicable.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.20, subsections 2 and 3, Code 2016,
2 are amended to read as follows:

3 2. Notwithstanding contrary provisions of this chapter
4 or chapter 326 regarding titling and registration by means
5 other than electronic means, the department ~~may~~ shall, by
6 January 1, 2018, develop and implement a program to allow for
7 electronic applications, titling, registering, and ~~electronic~~
8 ~~funds transfer~~ transfers for vehicles subject to registration
9 in order to improve the efficiency and timeliness of the
10 processes and to reduce costs for all parties involved. The
11 program shall also provide for the electronic submission of any
12 statement required by this section, except where prohibited by
13 federal law.

14 3. The department shall adopt rules on the method for
15 providing signatures for applications and statements required
16 by this section that are made by electronic means.

17 Sec. 2. Section 321.20, Code 2016, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 4. Notwithstanding this section or any
20 other provision of law to the contrary, if the program required
21 by subsection 2 is not implemented by January 1, 2018, an owner
22 of a vehicle subject to registration may apply to the county
23 treasurer of a county contiguous to the county designated for
24 the owner under subsection 1 for registration and issuance of
25 a certificate of title.

26 Sec. 3. Section 322.4, subsection 1, paragraph g, Code 2016,
27 is amended to read as follows:

28 g. Before the issuance of a motor vehicle dealer's license
29 to a dealer engaged in the sale of vehicles for which a
30 certificate of title is required under chapter 321, or the
31 issuance of a temporary permit under section 322.5, subsection
32 6, paragraph "b", the applicant shall furnish a surety bond
33 executed by the applicant as principal and executed by a
34 corporate surety company, licensed and qualified to do business
35 within this state, which bond shall run to the state of Iowa,

1 be in the amount of ~~fifty~~ one hundred thousand dollars and be
2 conditioned upon the faithful compliance by the applicant as
3 a dealer with all of the statutes of this state regulating
4 or applicable to the business of a dealer in motor vehicles,
5 and indemnifying any person who buys a motor vehicle from the
6 dealer from any loss or damage occasioned by the failure of the
7 dealer to comply with any of the provisions of [chapter 321](#) and
8 this chapter, including but not limited to the furnishing of
9 a proper and valid certificate of title to the motor vehicle
10 involved in a transaction. The bond shall also indemnify any
11 motor vehicle purchaser from any loss or damage caused by the
12 failure of the dealer to comply with the odometer requirements
13 in [section 321.71](#), regardless of whether the motor vehicle was
14 purchased directly from the dealer. The bond shall be filed
15 with the department prior to the issuance of a license or
16 permit. The aggregate liability of the surety, however, shall
17 not exceed the amount of the bond.

18 Sec. 4. NEW SECTION. **322.19A Documentary fee.**

19 1. For purposes of this section, "*documentary fee*" means a
20 fee that may be charged to a customer by a motor vehicle dealer
21 for the preparation of documents related to an application for
22 motor vehicle registration and issuance of a certificate of
23 title, and the performance of other related services for the
24 customer. "*Documentary fee*" does not include any costs or fees
25 charged to a motor vehicle dealer or a dealer's customer by a
26 third party.

27 2. A motor vehicle dealer may charge a documentary fee not
28 to exceed one hundred eighty dollars for each motor vehicle
29 sold in a transaction.

30 3. After the department has implemented a statewide
31 program pursuant to section 321.20, subsection 2, the maximum
32 documentary fee permitted by subsection 2 shall be reduced by
33 twenty-five dollars.

34 4. A motor vehicle dealer who charges a documentary fee
35 to a customer shall include the fee in the price of the motor

1 vehicle. The dealer shall disclose the full amount of the fee
2 in any price of a motor vehicle advertised by the dealer and
3 when making or accepting an offer to sell a motor vehicle. The
4 dealer shall provide the following notice to the customer,
5 which notice shall be included in any retail installment
6 contract with the customer:

7 DOCUMENTARY FEE. A DOCUMENTARY FEE IS NOT AN OFFICIAL FEE.
8 A DOCUMENTARY FEE IS NOT REQUIRED BY LAW, BUT MAY BE CHARGED TO
9 A BUYER FOR THE PREPARATION OF DOCUMENTS AND THE PERFORMANCE OF
10 RELATED SERVICES. THE MAXIMUM AMOUNT THAT MAY BE CHARGED FOR
11 A DOCUMENTARY FEE IS DETERMINED BY IOWA CODE SECTION 322.19A.
12 THIS NOTICE IS REQUIRED BY LAW.

13 5. A violation of this section is a violation of section
14 714.16, subsection 2, paragraph "a". The provisions of section
15 714.16, including but not limited to provisions relating to
16 investigation, injunctive relief, and penalties, shall apply to
17 this section.

18 EXPLANATION

19 The inclusion of this explanation does not constitute agreement with
20 the explanation's substance by the members of the general assembly.

21 Current law permits, but does not require, the department
22 of transportation (DOT) to develop and implement a program
23 allowing for the electronic submission of applications and the
24 electronic transfer of funds for motor vehicle registration
25 and issuance of certificates of title. This bill requires
26 the DOT to develop and implement the program by January 1,
27 2018. The bill also requires the program to provide for the
28 electronic submission of related statements required by law.
29 If the program is not implemented by January 1, 2018, an owner
30 of a vehicle subject to registration may apply to the county
31 treasurer of a county contiguous to the county designated for
32 the owner by current law for registration and issuance of a
33 certificate of title.

34 Code section 322.4 sets forth certain application
35 requirements for a motor vehicle dealer's license. One such

1 requirement is that the applicant furnish a surety bond. The
2 bill increases the required amount of the surety bond from
3 \$50,000 to \$100,000.

4 The bill provides that a motor vehicle dealer may charge
5 a documentary fee not to exceed \$180 for the preparation
6 of documents related to the application for motor vehicle
7 registration and issuance of a certificate of title and the
8 performance of other related services. The bill provides that
9 the maximum documentary fee shall be reduced by \$25 after
10 implementation of the program allowing for the electronic
11 submission of applications and the electronic transfer of funds
12 for motor vehicle registration and issuance of certificates of
13 title. The bill requires a motor vehicle dealer who charges
14 a documentary fee to a customer to include the fee in the
15 price of the vehicle, to disclose the amount of the fee in the
16 advertised price and when making or accepting an offer to sell
17 a vehicle, and to provide the customer a legal notification
18 related to the fee, which notification shall be included in any
19 retail installment contract with the customer.

20 A violation of the documentary fee requirements of the bill
21 is a fraudulent practice punishable by a civil penalty not to
22 exceed \$40,000.